

MARKETLINE

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NEWSLETTER

Buyers Play Waiting Game

Worries of war, economic woes and rising fuel prices keep buyers on the fence

For the past two and a half years, as prices for used aircraft have tumbled, many dealers and brokers have known in their hearts that the heady times of the late nineties may never return. But at least they were sure that the freefall of prices would stop as our economy found its feet in the new year.

Now, no one is sure about anything. As the days wind down to the inevitable showdown with Iraq, the phones again have stopped ringing. Everyone is crossing their fingers and hoping for a quick resolution to the global problems.

Jay Mesinger, a jet broker in Boulder, Colorado asked, "With all that's going on in the world right now, why would anyone plunk down several million dollars for an airplane, when they can wait a month or two to see what direction our country and economy are going?"

If the classic laws of economics were at work here, buyers would take advantage of the situation and buy at depressed prices brought on by the overall market inactivity and bloated inventories (almost twenty percent of the entire turbine fleet). And to some extent, this did occur after the holidays as dealers reported a surge of activity during the first weeks of the year. But, lately CNN has kept potential buyers glued to the internet and television for news of the impending conflict and potential terrorism strikes on U.S. soil.

And now, skyrocketing fuel prices are adding to the list of reasons that are keeping buyers in their foxholes. In turn, prices (which showed signs of firming at the beginning of the year) continue to slip.

And finally, the last piece of the puzzle concerns new aircraft order cancellations. Companies backing out of purchase agreements have become commonplace as manufacturers face one of the leanest years in recent memory. Workforces have been slashed, and in some cases production lines have been completely shut down. Some of the numbers are daunting: 2800 layoffs at Raytheon Aircraft, 2300 at Cessna (including voluntary early retirements) 925 at Bombardier (with 500 temporary furloughs).

Hold on, it's going to be a rough ride.

Jet

Bluebook-at-a-glance

<i>Increased</i>	0
<i>Decreased</i>	559
<i>Stable</i>	67

In the segment of business aircraft considered to be "light" jets, the Beechjet 400 series was again down \$100,000 for several early models and \$200,000 for newer serial numbers. Most Citation 500 series dropped a whopping \$150,000 and the Citation II was down \$250,000 for later year models. Falcon 10 prices fell \$100,000 for the fourth quarter in a row.

The free fall continues for the Lear 35 market \$200,000 adjustment for many year-models. The CitationJet saw prices deflate another \$50,000.

The market segment that is comprised of "medium" sized business jets continued to slip. Planes such as the Citation III (down

\$300,000), the Citation VI (down \$200,000) and the Citation X (down as much as \$1,000,000) continued to drop as availability balloons. The Falcon 20 decreased \$200,000 while its successor the Falcon 200 was down \$300,000 for later models. The Lear 55 and 60 have really tanked with several models suffering \$300,000 to \$500,000 losses.

Things continue to be bleakest for the large iron; most year models of the Falcon 50 lost a million, while the Falcon 900s lead the way with another \$2,000,000 reduction. The Falcon 2000 dropped \$1,000,000.

G-III's lost \$1,000,000, while several year-models of the G-IV slipped as much as \$3,000,000. Late model G-Vs lost four million, again setting a record for the largest single quarter drop in Bluebook history.

Turboprop

Bluebook-at-a-glance

Increased 0
Decreased 400
Stable 158

Most 200 series King Airs were down \$50,000. Doesn't seem like much until one realizes that these \$50,000 losses have been occurring every quarter for almost two years now. C-90 King Airs were not immune and fell \$30,000 for most year models.

The King Air's venerable competitor, the Cessna Conquest II continues to slip with most models falling \$50,000. The Cheyenne IIIA fell \$100,000, and the Cheyenne II models took a much lesser hit of \$30,000.

Multi

Bluebook-at-a-glance

Increased 0
Decreased 150
Stable 499

One bright spot (if you can call it a bright spot) in the used aircraft game continues to be the piston multi-engine segment. With few exceptions, these aircraft have been out of production for years and the segment is thus immune to the huge inventory numbers that have sent the turboprops and turbines in a spiral.

However, the sample multis tracked by the Bluebook still decreased slightly, resulting in a lower average price of \$255,160 dollars.

55 Barons were steady across the board, but the 58 saw decreases as much as \$20,000 for mid nineties models. Dukes again lost \$5,000 to \$10,000. The Cessna 414 and 421 were off \$10,000 for many models.

Late models of Piper Senecas again fell \$5,000 to \$10,000

Single

Bluebook-at-a-glance

Increased 92
Decreased 207
Stable 1909

Actually, in addition to the multi piston category, the singles are holding their own as well. Many dealers have said things to the effect of, "if it's under \$100,000 I'll have a buyer."

The combined average price of the twelve used as "benchmark" aircraft fell to \$97,750, down \$1,100 from last quarter.

Most singles (1909 year models) remained flat. Many Mooney models inched up, as did the Piper Super Cub.

A36 Bonanzas slipped \$3,000 to \$5,000. Retractable gear 182s were off \$3,000 and the Mooney ovation was the only Mooney model to suffer a loss (\$10,000 for some models). Late model Saratogas suffered a \$10,000 decrease.

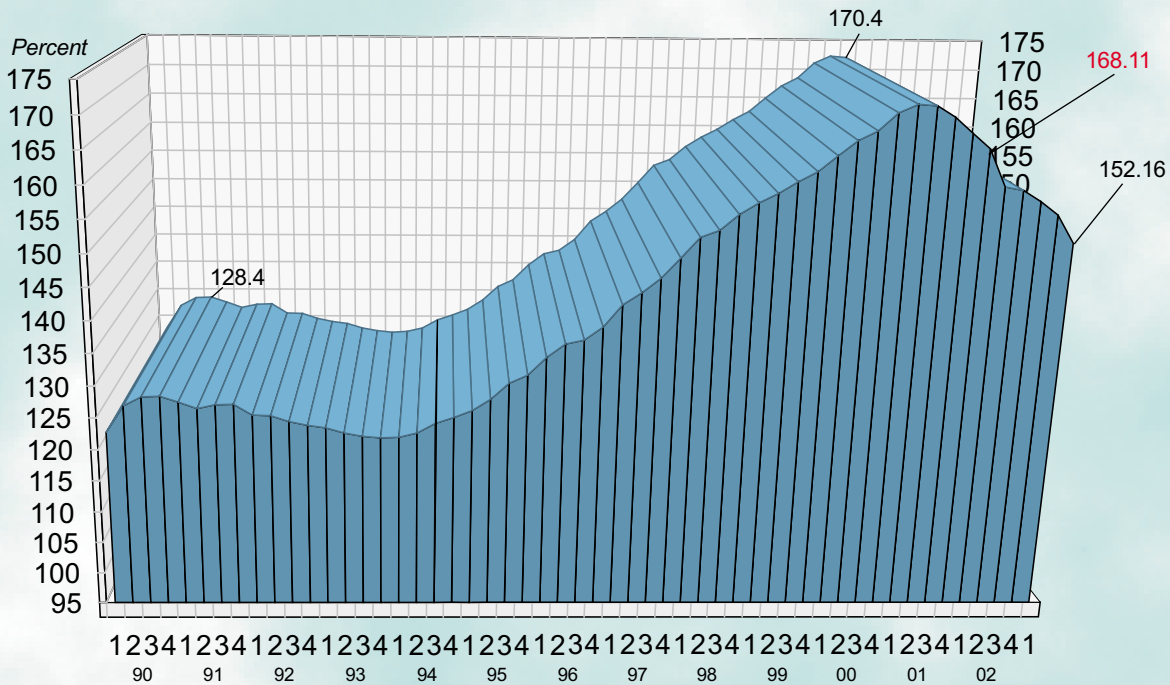
Helicopter

Bluebook-at-a-glance

Increased 0
Decreased 265
Stable 584

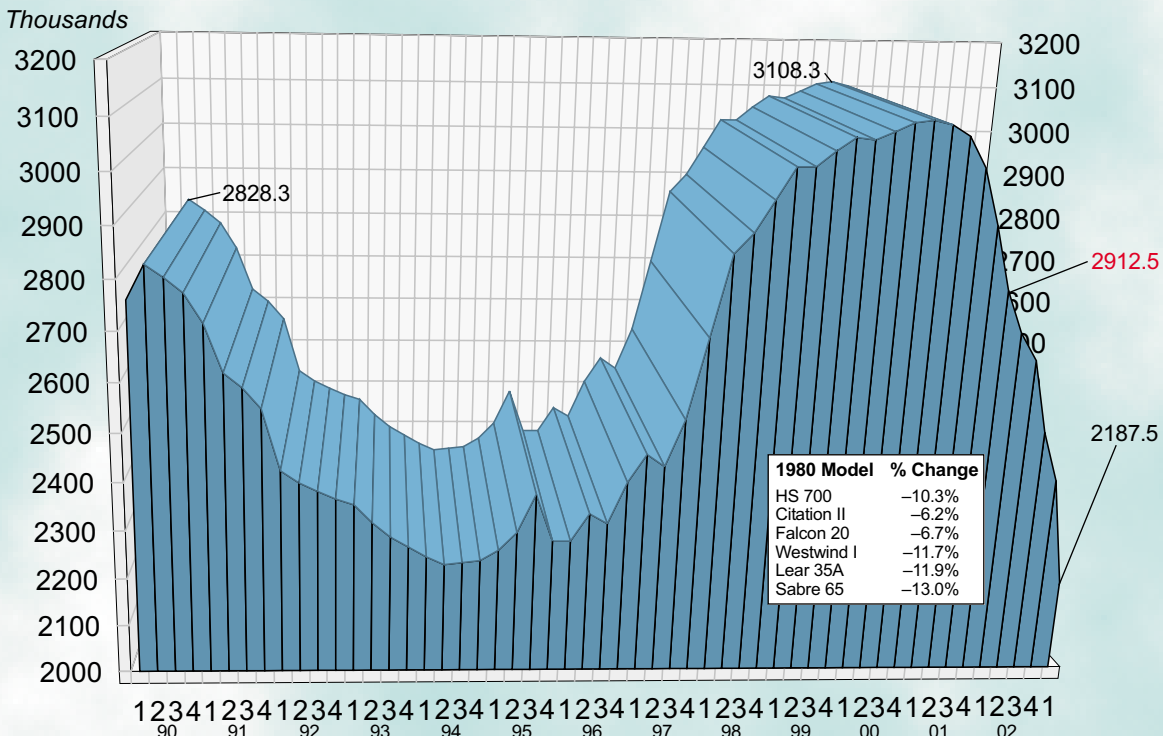
The average fleet price (represented by six benchmark 1980 model helicopters) fell \$2,170 with two of the six moving down and the four other models remaining flat. Of all helicopters tracked by the Bluebook, 265 year models dropped off in value. Again, the majority of the ships (584 year-models) remained stable.

USED AIRCRAFT MARKET VALUE



Used Aircraft Market. This ratio scale chart depicts the average percent-of-change for the 36 aircraft included in the Jet, Turboprop, Multi, Single and Helicopter charts. The study begins with the Fall quarter (August) of 1986 equaling 100%. The number in red on each chart indicates the first reporting date after 9-11.

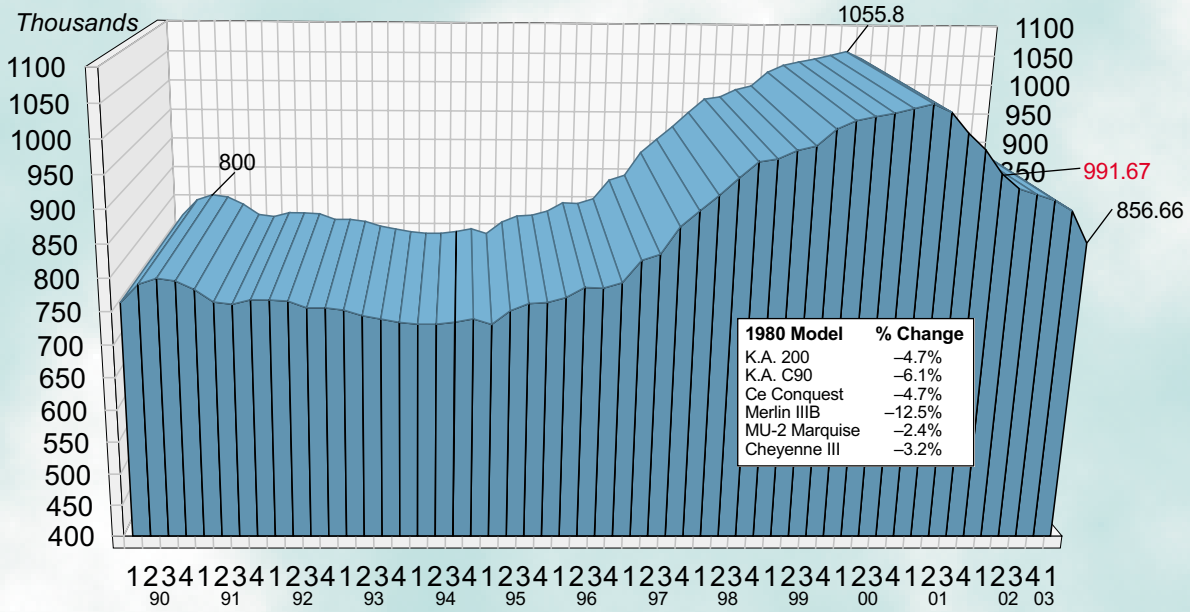
JET



1980 Model	% Change
HS 700	-10.3%
Citation II	-6.2%
Falcon 20	-6.7%
Westwind I	-11.7%
Lear 35A	-11.9%
Sabre 65	-13.0%

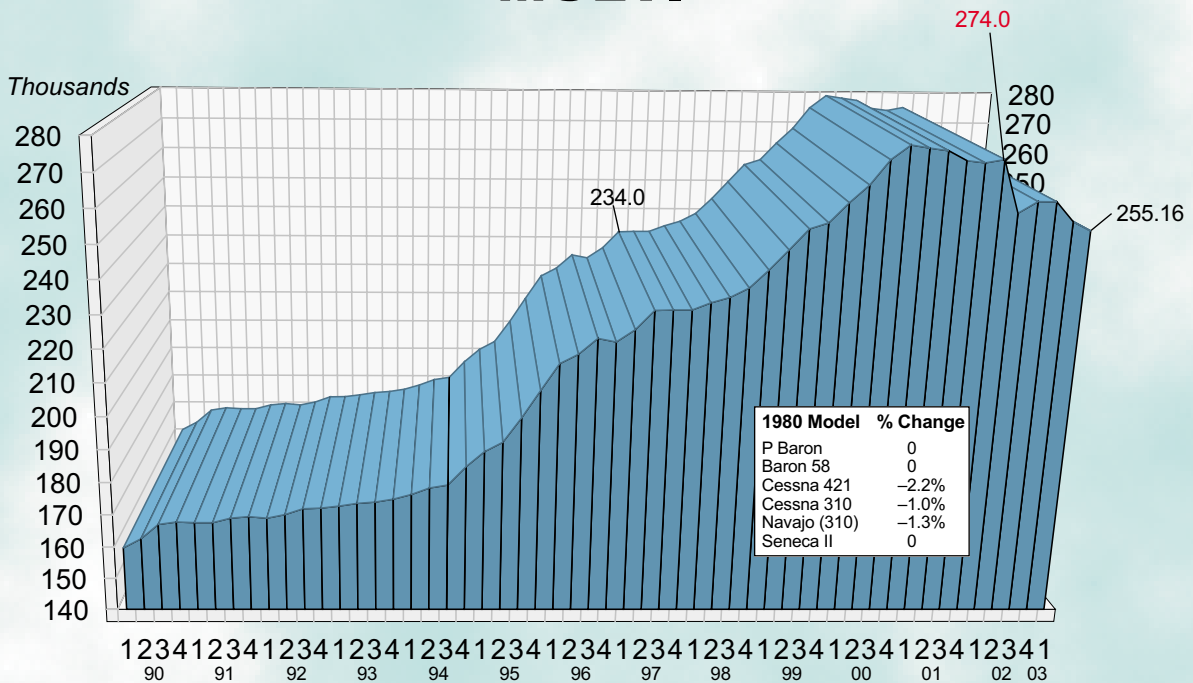
Jet. The jet chart depicts average price (in thousands) of the six 1980 model jets listed in the box. Each value corresponds to Aircraft Bluebook mail dates. The % Change is change for the most recent quarter.

TURBOPROP



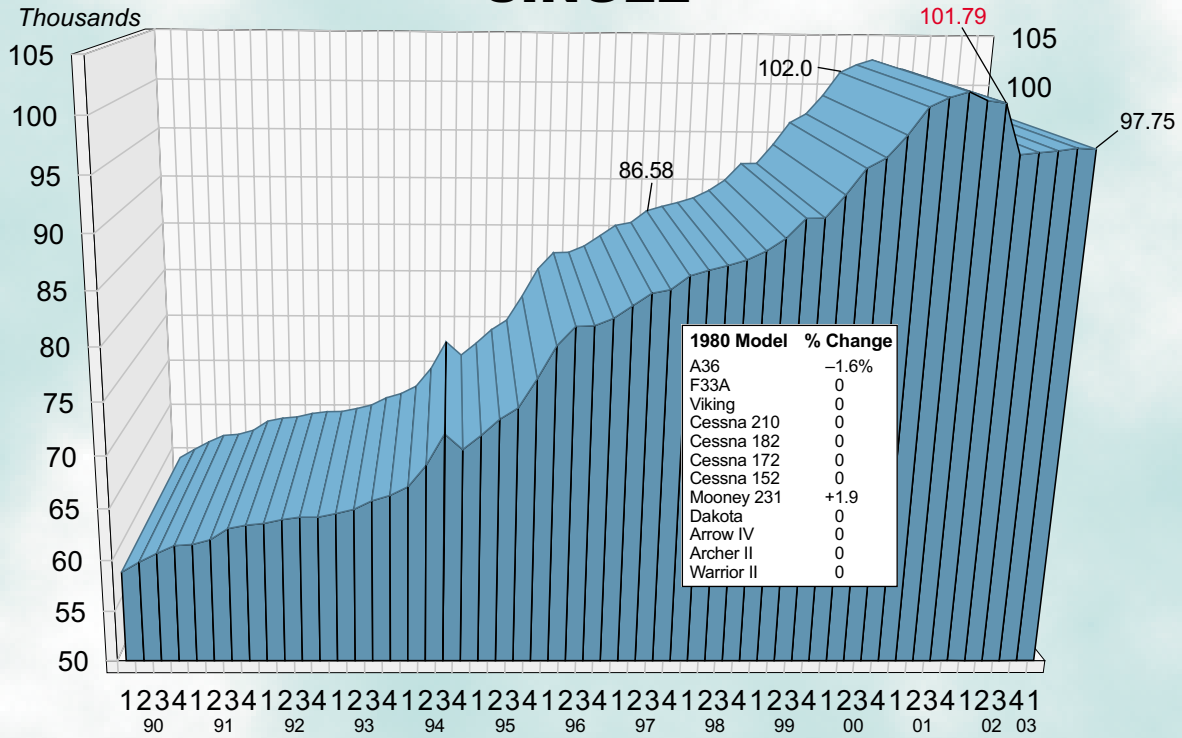
Turboprop. The turboprop chart depicts average price (in thousands) of the six 1980 model turboprops listed in the box. Each value corresponds to Aircraft Bluebook mail dates. The % Change is change for the most recent quarter.

MULTI



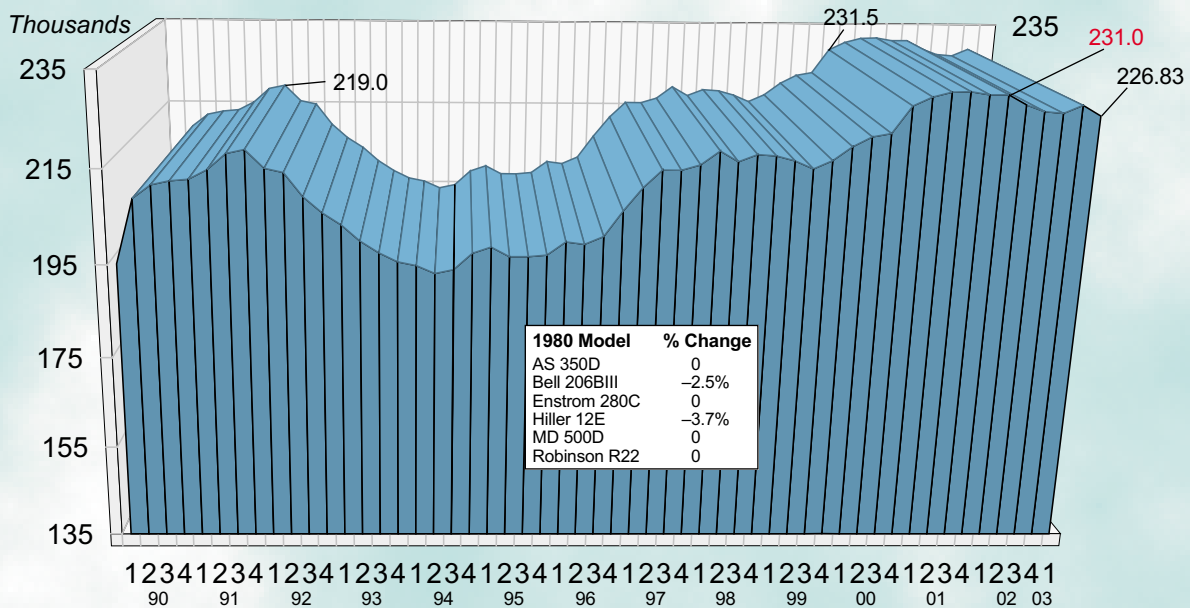
Multi. The multi chart depicts average price (in thousands) of the six 1980 model piston twins listed in the box. Each value corresponds to Aircraft Bluebook mail dates. The % Change is change for the most recent quarter.

SINGLE



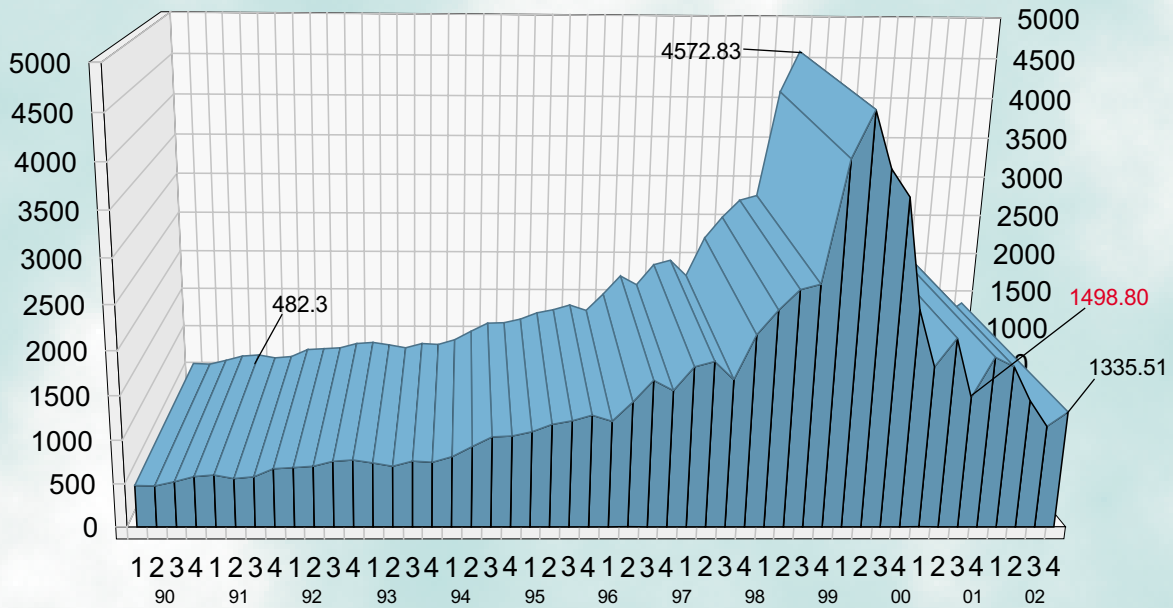
Single. The single chart depicts average price (in thousands) of the twelve 1980 model singles listed in the box. Each value corresponds to Aircraft Bluebook mail dates. The % Change is change for the most recent quarter.

HELICOPTER



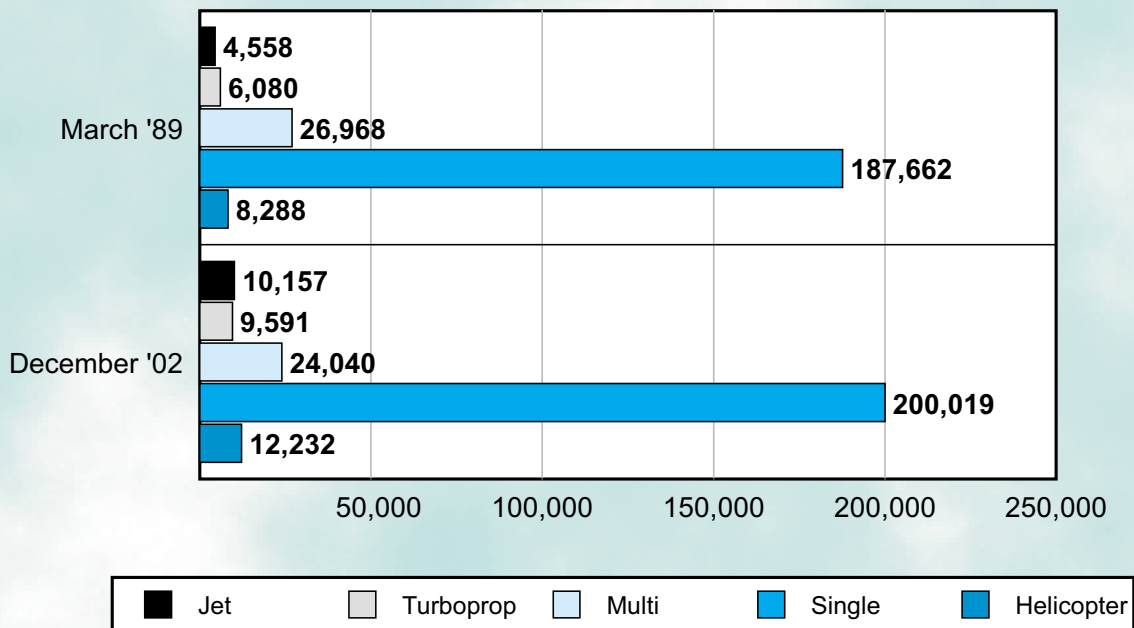
Helicopter. Depicts average price (in thousands) of the six 1980 model helicopters listed in the box. Each value corresponds to Aircraft Bluebook mail dates. The % Change is change for the most recent quarter.

NASDAQ



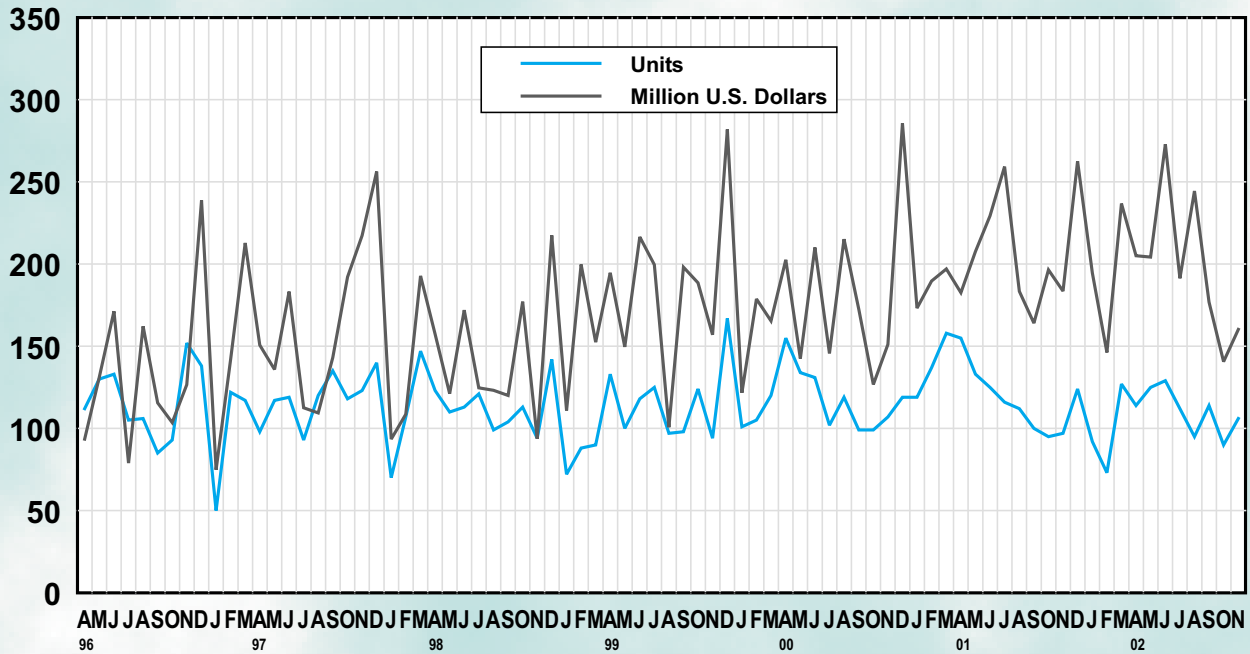
NASDAQ: This ratio scale chart depicts the change for the NASDAQ daily average from quarter to quarter beginning at the end of the first quarter of 1990. Each data point represents the closing daily average on the last trading day of each quarter. The scale originated in the first quarter of 1971.

AIRCRAFT ON REGISTRY



Aircraft on Registry. The Aircraft on Registry chart depicts the number of aircraft reported in Aircraft Bluebook which are listed on FAA records and considered to be in the U.S. inventory.

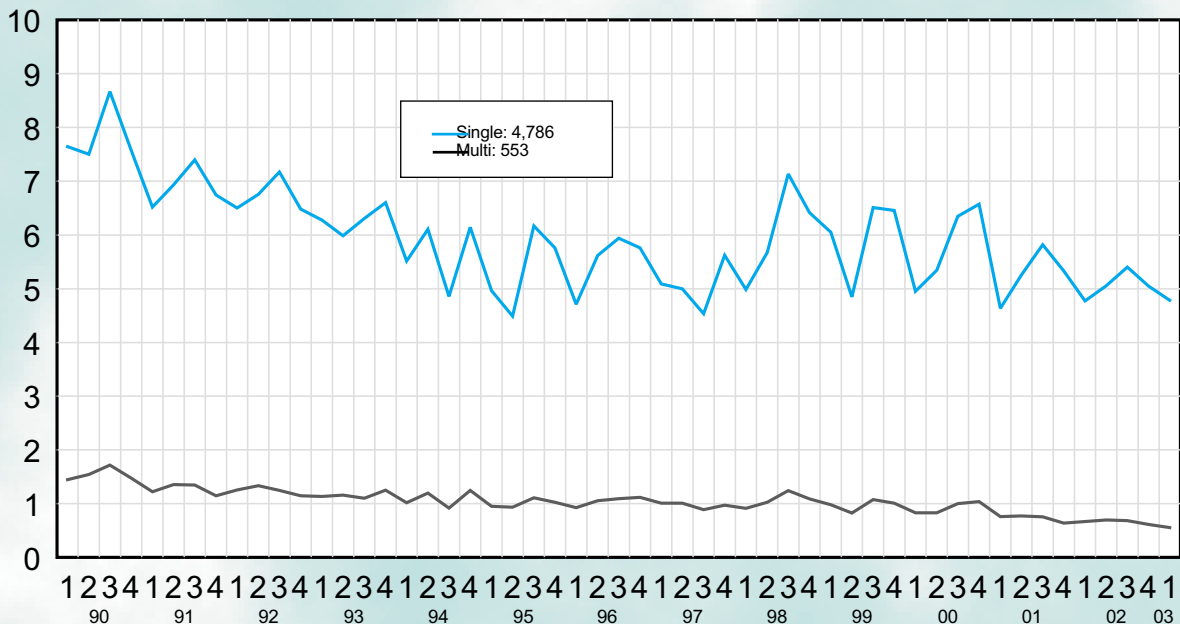
EXPORTS



Export Data. These numbers include both airplanes and helicopters. The numbers do not include aircraft that have empty weights in excess of 33,069 lbs.

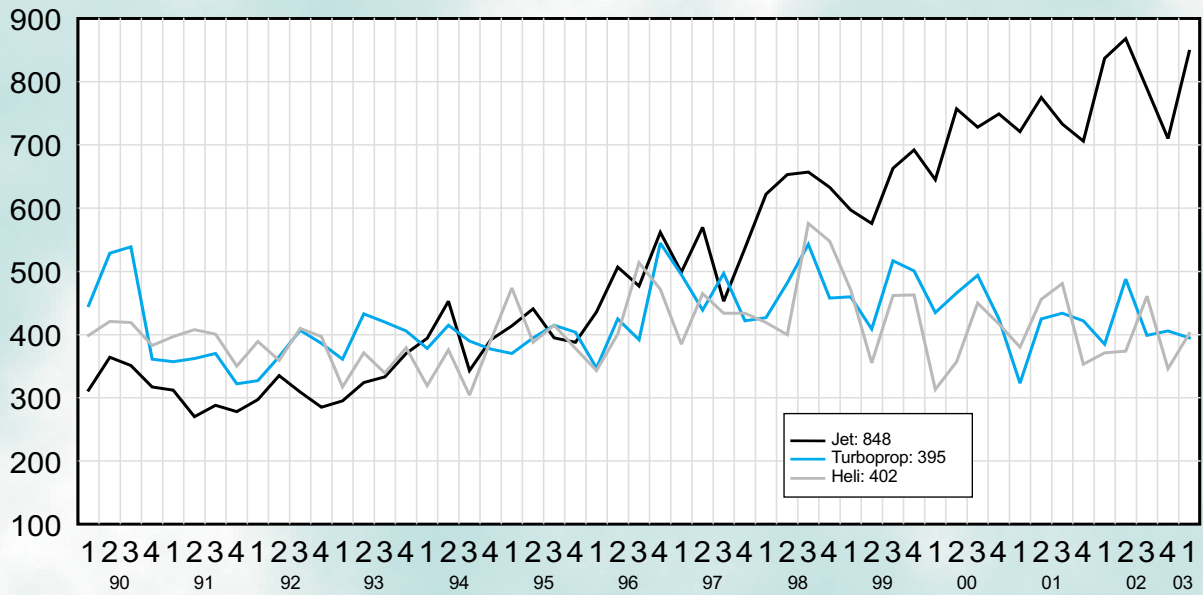
CHANGE-OF-OWNERSHIP SINGLE • MULTI

Thousands



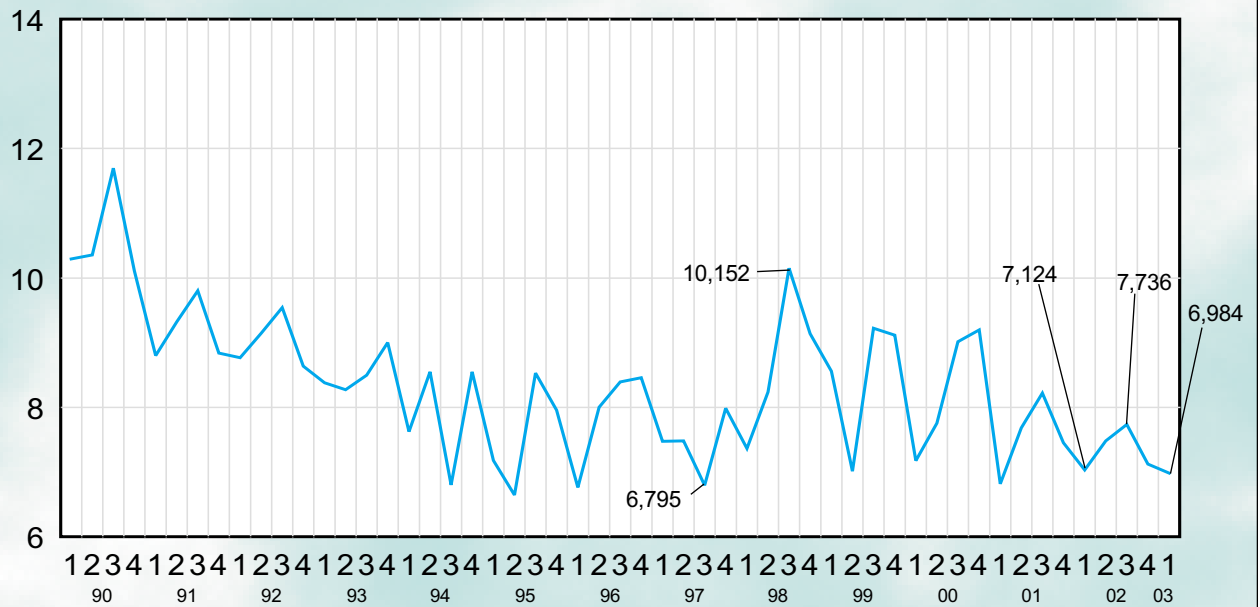
Single/Multi. The blue line in the Single • Multi chart depicts change-of-ownership data for singles. The black line represents multis.

CHANGE-OF-OWNERSHIP JET • TURBOPROP • HELI



Jet/Turboprop/Heli. The black line in the Jet • Turboprop • Heli chart represents change-of-ownership information for jets. The blue line depicts turboprops, while the gray line represents helicopters.

CHANGE-OF-OWNERSHIP TOTAL MARKET



Total Market. Depicts change-of-ownership data for all aircraft included in the Aircraft Bluebook. The numbers are from the FAA Registry. Gliders, homebuilts, airliners and other aircraft not found in the Bluebook are not included in this study.